

NEWS RELEASE



OFFICE OF THE UNITED STATES ATTORNEY SOUTHERN DISTRICT OF CALIFORNIA

San Diego, California

***United States Attorney
Carol C. Lam***

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For Immediate Release

NEWS RELEASE SUMMARY - January 6, 2006

United States Attorney Carol C. Lam announced that today a federal grand jury sitting in San Diego handed up a 20-count indictment charging former San Diego City Employees' Retirement System (SDCERS) Trustees Ronald Saathoff, Cathy Lexin, and Teresa Webster, and former SDCERS Administrator Lawrence Grissom and current SDCERS General Counsel Loraine Chapin with wire fraud, mail fraud, and conspiracy to commit wire and mail fraud.

According to the indictment, the defendants agreed to devise a scheme to deprive trustees of SDCERS, members of SDCERS, and the citizens of San Diego of their right to honest services. The indictment alleges that these defendants deceived their fellow trustees by concealing material information about SDCERS, including the fact that defendant Saathoff would receive an increase in his yearly retirement of more than \$25,000 if the SDCERS Board enacted "Manager's Proposal 2."

According to Assistant U.S. Attorney John Owens and Special Assistant U.S. Attorney Michael Still, who are prosecuting the case, the indictment alleges that Manager's Proposal 2 (MP2) permitted the City of San Diego (as SDCERS' plan sponsor) to avoid making the actuarially recommended contributions to SDCERS. To encourage defendant Saathoff to support Manager's Proposal 2, defendants Lexin, Webster, Grissom, and Chapin helped design and implement the "presidential leave retirement benefit," which would increase Saathoff's retirement benefits by more than \$25,000 per year. However, defendant Saathoff would receive this benefit only if the SDCERS Board Trustees agreed to adopt Manager's Proposal 2. Defendant Saathoff made the motion that structured and ultimately put into effect Manager's Proposal 2. Defendants Saathoff, Lexin, Webster, Grissom, and Chapin never revealed to all of the SDCERS Board Trustees that in exchange for his support of Manager's Proposal 2, defendant Saathoff would receive the presidential leave retirement benefit. Defendants Saathoff, Lexin, Webster, Grissom, and Chapin also concealed considerable other material information from the SDCERS Trustees, including crucial information about SDCERS' financial status and that defendant Saathoff's motion to approve MP2 was not "off-the-seat-of-his-pants" as he described it, but a motion that was carefully crafted and prearranged by Saathoff, Grissom, and several others. All of the defendants enjoyed increased retirement benefits due to their involvement in Manager's Proposal 2.

United States Attorney Lam said, "The defendants had a duty to act in the best interests of the city retirement system. They breached that duty by engaging in self-dealing, ignoring conflicts of interest, and exploiting their positions, to the detriment of the retirement system."

"This case highlights why the FBI's public corruption investigations are so critical. Much of the work we do in the FBI would not matter if our democracy failed," commented FBI Special Agent in Charge Daniel R. Dzwilewski. "The democratic form of government is destroyed when any federal, state, or local level of government does not enjoy the trust and confidence of its citizens."

United States Attorney Lam praised the efforts of the Federal Bureau of Investigation for its investigation, as well as San Diego County District Attorney Bonnie Dumanis, who assigned one of her prosecutors on a full-time basis to the federal investigation.

DEFENDANTS

CASE NUMBER: 06CR0043-BEN

RONALD SAATHOFF
CATHY LEXIN
TERESA WEBSTER
LAWRENCE GRISSOM
LORAIN CHAPIN

SUMMARY OF CHARGES

COUNT 1	Conspiracy to commit wire and mail fraud, in violation of Title 18, United States Code, Section 371. The charge of conspiracy to commit wire fraud carries a maximum penalty of 5 years' imprisonment and a \$250,000 fine.
COUNTS 2-5	Wire fraud, in violation of Title 18, United States Code, Sections 1343 and 1346, and Title 18, United States Code, Section 2. Counts 2-4 carry a maximum penalty of 5 years' imprisonment and a \$250,000 fine for each count. Count 5 carries a maximum penalty of 20 years' imprisonment and a \$250,000 fine.
COUNTS 6-20	Mail fraud, in violation of Title 18, United States Code, Sections 1341 and 1346, and Title 18, United States Code, Section 2. Counts 6-11 carry a maximum penalty of 5 years' imprisonment and a \$250,000 fine for each count. Counts 12-20 carry a maximum penalty of 20 years' imprisonment and a \$250,000 fine for each count.

AGENCY

Federal Bureau of Investigation

An indictment itself is not evidence that the defendants committed the crimes charged. The defendants are presumed innocent until the Government meets its burden in court of proving guilt beyond a reasonable doubt.